

OPINION

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Reviving economy with tax reform - [Tom Feeney](#)

The biggest economic story of 2005 may be one that began two years ago. When Congress approved the President's robust tax cut proposal, a ripple effect resulted, creating 3.7 million new jobs, and most impressively, an increase of 100,000 or more new jobs each month this year.

Along with June's positive job numbers (148,000 new jobs created) was the report that the unemployment rate had fallen to 5.1 percent, the lowest level since 2001. These numbers are evidence that the pro-growth, pro-investment policies driving the tax cut package were leading businesses to expand their workforce and invest in future growth.

An overlooked benefit of the tax cuts is the subsequent downward trends in the deficit. That's right, deficit reduction from tax cuts. According to the Office of Management and Budget, the deficit is projected to decline nearly \$100 billion during 2005, a forecast that would bring the deficit lower than it has been in 15 of the past 25 years.

This reduction is being fueled by a \$204 billion, or 14.6 percent, increase in government receipts, compared to the same point last year. The 17.6 percent and 6.9 percent respective increases in income tax and Social Security income tax receipts are substantial, yet not as impressive as the Congressional Budget Office's estimate that corporate tax receipts will increase by at least 40 percent for the whole fiscal year.

An increase in revenue derived from business investment as a result of reductions in tax rates shouldn't come as a surprise. Similar reductions to tax rates implemented by Presidents Kennedy and Reagan led to

similar increases in revenue in subsequent years.

Kennedy's own words couldn't be truer today: "It is increasingly clear that no matter what party is in power, so long as our national security needs keep rising, an economy hampered by restrictive tax rates will never produce enough revenue to balance our budget, just as it will never produce enough jobs or enough profits."

Two years ago, those of us who supported the President's tax cut package faced criticism that costs of fighting the war on terrorism combined with the already growing deficits made it the wrong time to cut taxes. Today, it is difficult to imagine the state of the economy and size of the deficit if these tax cuts had not been used to breathe new life into the economy.

Although these well-timed tax cuts and their resulting economic benefits have done much to improve the nation's fiscal outlook, disciplined spending habits in Congress are also essential. We now have the opportunity to create an economic environment that could significantly lower the deficit over time and foster positive economic growth for years to come. Just as effective business leaders must make tough spending decisions to benefit long-term gains, so should legislators to benefit our national economy.

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